

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 96

February 10, 2009

SUMMARY OF BILL: Requires at least 70 percent of total local education agency (LEA) operating funds to be spent on classroom expenditures, district-wide and for each school, by FY12-13; 80 percent by FY14-15; and 90 percent by FY16-17. Beginning FY09-10, requires LEAs to report each fiscal year the percentage of total expenditures made for classroom expenditures, district-wide and for each school. The report is due by September 1 following the close of the fiscal year.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$490,000

Increase Local Expenditures - \$4,583,200*

Other Fiscal Impact – LEAs will redirect funds to meet the new requirements for classroom expenditures. This will be done either by raising new revenue, cutting non-classroom expenditures, or a combination. According to the Department of Education (DOE), no money will be redirected to meet the 70 percent threshold in FY12-13. The total expenditure redirection to meet 80 percent by FY14-15 is \$3,285,735,900. The total expenditure redirection to meet 90 percent by FY16-17 is \$13,892,015,100.

Assumptions:

- The BEP funding formula is unchanged. LEAs will not receive more state funding as a result of this bill.
- According to DOE, the average percentage of total operating expenditures currently being spent on classroom expenditures is 71 percent.
- Currently, all bookkeeping and reporting are performed by the state and LEAs at the system level. This bill will require financial reports from and maintenance of effort tests for all 1,709 schools.
- DOE estimates that each LEA (136 total) will need to hire one additional bookkeeper to meet the new reporting requirements. The cost in salary

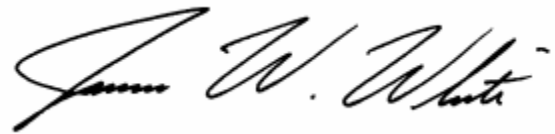
and benefits will be approximately \$33,700 per position. The increase in local expenditures is estimated to be \$4,583,200 (136 LEAs x \$33,700).

- DOE estimates that seven new consultants will be hired to perform this work. The cost in salary and benefits will be approximately \$70,000 per consultant, an increase in state expenditures of approximately \$490,000 (7 x \$70,000).
- This estimate does not include software update costs that will be required for each school to have access to the state electronic reporting system.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in cursive script, reading "James W. White".

James W. White, Executive Director

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